

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 NSC-05 CIEP-01

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FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 2158

INFO AMCONSUL ZAGREB

LIMITED OFFICIAL USE BELGRADE 1015

E.O. 11652: N/A

TAGS: EFIN, YO

SUBJECT: NATIONAL BANK OF YUGOSLAVIA TO ISSUE BONDS ON
INTERNATIONAL CAPITAL MARKET

REF: BELGRADE A-14

1. TANJUG MARCH 6 CARRIES ANNOUNCEMENT THAT DURING
1975 NATIONAL BANK OF YUGOSLAVIA PLANS ISSUE SPECIAL
TEN TO TWENTY YEAR BONDS "ON BEHALF OF FEDERATION
AND NATIONAL BANK" IN AMERICAN AND EUROPEAN MARKETS.
STATED PURPOSE OF BONDS IS TO FINANCE ADDITIONS TO
YUGOSLAV HARD CURRENCY RESERVES. POLITIKA COMMENTS
THAT "MARKETS OFFER CONDITIONS FOR SUCCESS ESPECIALLY
IN U.S.," AND RAISES POSSIBILITY OF ADDITIONAL BOND ISSUES
IN FUTURE.

2. COMMENT: YUGOSLAVIA'S CURRENT ACCOUNT DEFICIT
IN 1974 IS ESTIMATED AT ABOUT ONE BILLION U.S. DOLLARS,
AND DESPITE YUGOSLAV INTENTION TO REDUCE IMPORT
GROWTH AND EXPAND EXPORTS SIMILAR DEFICIT IS FORECAST
FOR 1975. NEW BORROWINGS WILL BE NEEDED TO COVER
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EXPECTED DEFICIT AND PREVENT LARGE DRAW-DOWN OF

HARD CURRENCY RESERVES OF ABOUT \$1.3 BILLION.
GOVERNOR OF NATIONAL BANK COLANOVIC TOLD EXIM
CHAIRMAN CASEY IN JANUARY THAT YUGOSLAVIA HAD ALREADY
TAKEN STEPS TO APPEAR ON U.S. BOND MARKET WITH
FLOTATION OF \$30 MILLION AT ABOUT 8 3/4 - 9 PERCENT INTEREST
RATE, BUT WERE DELAYING BECAUSE OF UNFAVORABLE MARKET CONDITIONS.
AT THAT TIME YUGOSLAVS INTENDED ASKING "AA" RATING
AND DILLON-READ WAS TO SYNDICATE ISSUE. EMBASSY
WAS INFORMED MARCH 5 THAT SMOLE AND PERHAPS
BIJEDIC WISH DISCUSS POSSIBILITY OF SALE OF YUGOSLAV
BONDS ON U.S. MARKET DURING THEIR VISIT TO U.S. IN
MARCH. ANNOUNCEMENT YUGOSLAV PLAN ISSUE BONDS
IN 1975 REFLECTS IN PART PERCEPTION OF IMPROVED
MARKET CONDITIONS, ESPECIALLY IN U.S., AND IF CARRIED
THROUGH SHOULD PROVIDE INTERESTING TEST OF YUGOSLAV
CREDIT STANDING IN INTERNATIONAL FINANCIAL MARKETS.
TOON

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